

INTERNAL REVENUE SERVICE

Number: **200108042**

Release Date: 2/23/2001

UIL: 9999.98-00

WTA-N-127474-00

December 20, 2000

Employment Tax Program Manager
Internal Revenue Service

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Office of Assistant Chief Counsel

De Minimis Fringes

On November 20, 2000, you requested the Office of Assistant Chief Counsel's opinion on whether non-monetary recognition awards having a fair market value of \$100 qualify as de minimis fringes. As discussed below it is this office's opinion that non-monetary recognition awards having a fair market value of \$100 do not qualify as de minimis fringes.

A fringe benefit is a form of pay provided to any person for the performance of services. Unless the law says otherwise, the value of fringe benefits must be included in the recipient's pay. If the recipient of a taxable fringe benefit is an employee, the benefit is subject to employment taxes and must be reported on Form W-2.

The fair market value of a fringe benefit is determined on the basis of all the facts and circumstances. Generally, the fair market value of a fringe benefit is the amount an employee would have to pay a third party in an arm's-length transaction to buy the particular fringe benefit. Neither the amount the employee considers to be the value of the fringe benefit nor the cost the employer incurs to provide the benefit determines its fair market value.

An employee's wages do not include the value of a de minimis fringe benefit. This benefit is any property or service provided to an employee that has so little value (taking into account how frequently similar benefits are provided) that accounting for it would be unreasonable or administratively impracticable. Cash, no matter how little, is never excludible as a de minimis fringe, except for occasional meal money or transportation fare. Examples of de minimis fringes include the following.

- o Occasional typing of personal letters by a company secretary.
- o Occasional personal use of a company copying machine, if its use is

sufficiently controlled.

- o Occasional parties or picnics for employees and their guests.
- o Occasional meals, meal money, or local transportation fare, not based on hours worked, provided to an employee because the employee is working overtime and, for meals and meal money, provided to enable the employee to work overtime.
- o Holiday gifts, other than cash, with a low fair market value.
- o Occasional tickets for entertainment events.
- o Coffee, doughnuts, or soft drinks furnished to employees.
- o Group-term life insurance payable on the death of an employee's spouse or dependent if the face amount is not more than \$2,000.

Thus, if an employer distributes turkeys, hams, or other merchandise of nominal value to its employees at holidays, the value of these items would not constitute salary or wages. Conversely, non-monetary achievement awards having a fair market value of \$100 would not qualify as de minimis fringes and, consequently, would constitute salary and wages.

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cc: